Greater Taung Local Municipality

Annual Financial Statements
for the year ended 30 June 2016

General Information

Auditors	Auditor General of South Africa Registered Auditors
Nature of business and principal activities	Greater Taung Local Municipality is a local municipality performing functions as set out in the constitution of the Republic of South Africa (Act no 108 of 1996)
Jurisdiction	Area NW3, as a local municipality, as dermacated by the demarcation board and indicated in the demarcation map published for NW394
Mayoral committee	
Executive Mayor	KG Lobelo
Exucutive Committee Members	DA Itumeleng MJ Mabe KAM Malepe KJ Morwagaswe (Resigned in January 2016) OP Oliphant GJ Tshipo KP Galodikwe OR Seleke AP Scholtz
Grading of local authority	Grade 3 local municipality
Speaker	DJ Sethi
Chief Financial Officer (CFO)	MP Vermaak
Accounting Officer	KT Gabanakgosi
Business address	Municipal Offices Station Street Taung 8580
Postal address	Private Bag X1048 Taung Station 8580
Bankers	ABSA Bank (Primary) Standard Bank of South Africa Nedbank Limited First National Bank
Attorneys	Isang Nakale Inc. M.E Tlou Attorneys & Associates Du Plessis Viviers Inc. Kgomo Attorneys Inc. Mokhetle Attorneys Inc.
Preparer	The annual financial statements were internally compiled by: Mr MP Vermaak Chief Financial Officer
Chief Whip	MI Olifant

General Information

MPAC Chairperson	K Kodisang
Councillors not on EXCO	KI Mamapula MT Baijang KG Chalmans TV Malepe GS Diphoko PM Dichakane GS Edward (Resigned) FC Gasetlolwe LJ Halenyane M Hermanus MS Kanyane KR Kgosimore KA Lontshitse (Deceased) LW Mahura EI Makgalemele T Mantswe ZB March A Menyatso JG Mmabe K Moagi BK Mohitleng R Mokoto KP Molifi BJ Moncho (Deceased) OV Mongale DN Motshabi AS Phatshwane TP Sepe KJ Seepamere J Malepe EV Sibinda NG Tafane EH Tladi T Thaganyane KR Tyalimpi LC Wesi LE Mahura KG Moipolayi

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

FMG	Local Government Financial Management Grant
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
MSIG	Municipal System Improvement Grant
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added TAx
PAYE	Pay As You Earn
UIF	Unemployment Insurance Fund

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The annual financial statements set out on pages 5 to 86, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2016 and were signed by:

Accounting Officer
KT Gabanakgosi

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2016.

1. Review of activities

Main business and operations

The municipality is engaged in Taung, Reivilo and Pudimoe and is a local municipality performing functions as set out in constitution (act no 105 of 1996) and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinon require any further comment.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Refer to note 41 for futher details.

3. Subsequent events

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year that require adjustments to the financial statements.

4. Accounting policies

The annual financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The Accounting Officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
KT Gabanakgosi	RSA

6. Asset management

A consulting firm has been appointed by Provincial Treasury to assist with the reconstruction of the fixed assets registers (Property, plant and equipment, investment property and intangible assets) to be GRAP compliant.

7. Prior period errors

During the preparation of the annual financial statements, certain errors have been identified in prior periods and reclassifications have been made to give a true and fair presentation of the annual financial statements. Material errors and reclassifications have been made in accordance with GRAP. Refer to note 39 for prior period errors.

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Inventories	6	7 119 106	7 098 888
Receivables from exchange transactions	7&10	14 879 066	3 462 674
Receivables from non-exchange transactions	8&10	29 658 894	20 592 312
VAT receivable	9	6 603 286	1 357 688
Cash and cash equivalents	11	116 037 909	102 752 899
		174 298 261	**135 264 461**
Non-Current Assets			
Investment property	3	21 534 000	21 534 000
Property, plant and equipment	4	463 272 711	441 860 348
Intangible assets	5	435 990	435 990
		485 242 701	**463 830 338**
Total Assets		**659 540 962**	**599 094 799**
Liabilities			
Current Liabilities			
Finance lease obligation	12	341 154	640 457
Payables from exchange transactions	16	22 982 377	22 546 334
Consumer deposits	17	123 734	131 934
Employee benefit obligation	13	248 126	188 156
Unspent conditional grants and receipts	14	2 660 975	31 089 051
Provisions	15	1 536 267	1 788 941
		27 892 633	**56 384 873**
Non-Current Liabilities			
Finance lease obligation	12	-	341 155
Employee benefit obligation	13	10 035 279	8 800 348
Provisions	15	9 132 668	8 567 335
		19 167 947	**17 708 838**
Total Liabilities		**47 060 580**	**74 093 711**
Net Assets		**612 480 382**	**525 001 088**
Accumulated surplus		612 480 382	525 001 088

* See Note 49 & 39

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	8 256 899	7 557 236
Rental of facilities and equipment	20	421 042	329 679
Other income	21	1 340 010	311 168
Investment income	22	10 863 603	7 500 103
Total revenue from exchange transactions		**20 881 554**	**15 698 186**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	18 405 628	17 999 611
Property rates - penalties imposed	23	3 271 460	1 554 379
Transfer revenue			
Government grants and subsidies	24	211 587 776	189 984 849
Other Income	21	84 650	72 425
Total revenue from non-exchange transactions		**233 349 514**	**209 611 264**
Total revenue	18	**254 231 068**	**225 309 450**
Expenditure			
Employee related costs	25	(69 237 613)	(56 268 869)
Remuneration of councillors	26	(17 246 475)	(15 294 114)
Depreciation	27	(23 137 276)	(27 871 619)
Finance costs	28	(1 191 754)	(1 165 577)
Allowance for impairment	29	7 741 472	(6 108 551)
Repairs and maintenance	32	(7 857 184)	(6 841 331)
Bulk purchases	30	(3 208 721)	(2 994 109)
Contracted services	31	(13 696 914)	(13 310 391)
General Expenses	33	(38 718 984)	(38 892 553)
Total expenditure		**(166 553 449)**	**(168 747 114)**
Operating surplus		**87 677 619**	**56 562 336**
Gain on disposal of assets		(542 531)	(137 513)
Actuarial (loss) / gain	13	344 207	397 629
		(198 324)	**260 116**
Surplus for the year		**87 479 295**	**56 822 452**

* See Note 49 & 39

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	405 786 510	405 786 510
Adjustments:		
Prior year adjustments - Note 39	62 392 126	62 392 126
Balance at 01 July 2014 as restated*	**468 178 636**	**468 178 636**
Changes in net assets		
Surplus for the year	56 822 452	56 822 452
Total changes	56 822 452	56 822 452
Restated* Balance at 01 July 2015	**525 001 087**	**525 001 087**
Changes in net assets		
Surplus for the year	87 479 295	87 479 295
Total changes	87 479 295	87 479 295
Balance at 30 June 2016	**612 480 382**	**612 480 382**

Note(s)

* See Note 49 & 39

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Grants		211 587 776	189 984 848
Sale of goods and services		19 626 194	23 411 887
Interest received		3 777 152	7 500 103
Other receipts		10 863 603	2 261 389
		245 854 725	223 158 227
Payments			
Employee costs		(74 735 754)	(49 445 127)
Cash paid to Suppliers and Employees		(110 051 800)	(74 082 019)
Finance cost		(1 191 754)	(677 403)
		(185 979 308)	(124 204 549)
Net cash flows from operating activities	35	**59 875 417**	**98 953 678**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(45 891 084)	(61 705 942)
Cash flows from financing activities			
Finance lease payments		(699 325)	(714 481)
Net increase/(decrease) in cash and cash equivalents		**13 285 010**	**36 533 255**
Cash and cash equivalents at the beginning of the year		102 752 899	66 219 644
Cash and cash equivalents at the end of the year	11	**116 037 909**	**102 752 899**

* See Note 49 & 39

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	8 612 000	-	**8 612 000**	8 256 899	**(355 101)**	No significant variance
Rental of facilities and equipment	526 000	-	**526 000**	421 042	**(104 958)**	No significant variance
Other income	2 333 000	-	**2 333 000**	1 340 010	**(992 990)**	Amount was over budgeted
Interest received - investment	6 223 000	-	**6 223 000**	10 863 603	**4 640 603**	Increase in investments
Total revenue from exchange transactions	**17 694 000**	**-**	**17 694 000**	**20 881 554**	**3 187 554**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	10 965 000	-	**10 965 000**	18 405 628	**7 440 628**	Correction of prior error
Property rates - penalties imposed	1 112 000	-	**1 112 000**	3 271 460	**2 159 460**	Interest charged on latepayments
Transfer revenue						
Government grants & subsidies	223 039 000	-	**223 039 000**	211 587 776	**(11 451 224)**	No significant difference
Other transfer revenue 1	-	-	**-**	84 650	**84 650**	
Total revenue from non-exchange transactions	**235 116 000**	**-**	**235 116 000**	**233 349 514**	**(1 766 486)**	
Total revenue	**252 810 000**	**-**	**252 810 000**	**254 231 068**	**1 421 068**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Expenditure						
Personnel	(75 569 000)	-	**(75 569 000)**	(69 237 613)	**6 331 387**	Increase in salaries
Remuneration of councillors	(20 324 000)	-	**(20 324 000)**	(17 246 475)	**3 077 525**	Increase in salaries
Depreciation and amortisation	(13 167 000)	-	**(13 167 000)**	(23 137 276)	**(9 970 276)**	Year end journals
Finance costs	(216 000)	-	**(216 000)**	(1 191 754)	**(975 754)**	Year end jounals
Bad debts written off	-	-	**-**	7 741 472	**7 741 472**	
Repairs and maintenance	(10 987 233)	-	**(10 987 233)**	(7 857 184)	**3 130 049**	Over budgeted
Bulk purchases	(5 019 000)	-	**(5 019 000)**	(3 208 721)	**1 810 279**	Over budgeted
Contracted Services	(17 261 000)	-	**(17 261 000)**	(13 696 914)	**3 564 086**	Over budgeted
General Expenses	(131 556 000)	-	**(131 556 000)**	(38 718 984)	**92 837 016**	Over budgeted
Total expenditure	**(274 099 233)**	**-**	**(274 099 233)**	**(166 553 449)**	**107 545 784**	
Operating surplus	**(21 289 233)**	**-**	**(21 289 233)**	**87 677 619**	**108 966 852**	
Loss on disposal of assets and liabilities	-	-	**-**	(542 531)	**(542 531)**	
Actuarial gains/losses	-	-	**-**	344 207	**344 207**	No significant variance
	-	**-**	**-**	**(198 324)**	**(198 324)**	
Surplus before taxation	**(21 289 233)**	**-**	**(21 289 233)**	**87 479 295**	**108 768 528**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(21 289 233)**	**-**	**(21 289 233)**	**87 479 295**	**108 768 528**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	2 800 000	-	**2 800 000**	7 119 106	**4 319 106**	Under budgeted
Receivables from exchange transactions	-	-	**-**	14 879 065	**14 879 065**	No significant variance
Receivables from non-exchange transactions	-	-	**-**	29 658 894	**29 658 894**	No significant variance
VAT receivable	-	-	**-**	6 603 286	**6 603 286**	Not part of budget
Cash and cash equivalents	54 515 000	-	**54 515 000**	116 037 909	**61 522 909**	High interest received
	57 315 000	**-**	**57 315 000**	**174 298 260**	**116 983 260**	
Non-Current Assets						
Investment property	25 516 000	-	**25 516 000**	21 534 000	**(3 982 000)**	No significant difference
Property, plant and equipment	361 636 000	-	**361 636 000**	463 272 711	**101 636 711**	
Intangible assets	496 000	-	**496 000**	435 990	**(60 010)**	No significant difference
	387 648 000	**-**	**387 648 000**	**485 242 701**	**97 594 701**	
Total Assets	**444 963 000**	**-**	**444 963 000**	**659 540 961**	**214 577 961**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	341 154	**341 154**	No significant variance
Payables from exchange transactions	-	-	**-**	22 982 378	**22 982 378**	There were vacant positions to be filled in the new year.
Consumer deposits	145 000	-	**145 000**	123 734	**(21 266)**	No significant variance
Employee benefit obligation	-	-	**-**	248 126	**248 126**	No significant variance
Unspent conditional grants and receipts	-	-	**-**	2 660 975	**2 660 975**	
Provisions	-	-	**-**	1 536 267	**1 536 267**	
	145 000	**-**	**145 000**	**27 892 634**	**27 747 634**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	10 035 279	**10 035 279**	There were vacant positions to be filled in the new year.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Provisions	7 930 000	-	**7 930 000**	9 132 668	**1 202 668**	There were vacant positions to be filled in the new year.
	7 930 000	**-**	**7 930 000**	**19 167 947**	**11 237 947**	
Total Liabilities	**8 075 000**	**-**	**8 075 000**	**47 060 581**	**38 985 581**	
Net Assets	**436 888 000**	**-**	**436 888 000**	**612 480 380**	**175 592 380**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	436 888 000	-	**436 888 000**	612 480 381	**175 592 381**	There were vacant positions to be filled in the new year.

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget

2016

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance											
Property rates	12 077 000	-	12 077 000	-		12 077 000	21 677 088		9 600 088	179 %	179 %
Service charges	8 611 900	-	8 611 900	-		8 611 900	8 256 899		(355 001)	96 %	96 %
Investment revenue	6 223 000	-	6 223 000	-		6 223 000	10 863 603		4 640 603	175 %	175 %
Transfers recognised - operational	179 339 000	-	179 339 000	-		179 339 000	175 396 322		(3 942 678)	98 %	98 %
Other own revenue	5 399 000	-	5 399 000	-		5 399 000	2 189 909		(3 209 091)	41 %	41 %
Total revenue (excluding capital transfers and contributions)	**211 649 900**	**-**	**211 649 900**	**-**		**211 649 900**	**218 383 821**		**6 733 921**	**103 %**	**103 %**
Employee costs	(75 569 000)	-	(75 569 000)	-	-	(75 569 000)	(69 237 613)	-	6 331 387	92 %	92 %
Remuneration of councillors	(20 324 000)	-	(20 324 000)	-	-	(20 324 000)	(17 246 475)	-	3 077 525	85 %	85 %
Debt impairment	-	-	-			-	7 741 472	-	7 741 472	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(13 167 000)	-	(13 167 000)			(13 167 000)	(23 137 276)	-	(9 970 276)	176 %	176 %
Finance charges	(216 000)	-	(216 000)	-	-	(216 000)	(1 191 754)	-	(975 754)	552 %	552 %
Materials and bulk purchases	(15 019 000)	-	(15 019 000)	-	-	(15 019 000)	(3 208 721)	-	11 810 279	21 %	21 %
Transfers and grants	(2 676 000)	-	(2 676 000)	-	-	(2 676 000)	-	-	2 676 000	- %	- %
Other expenditure	(55 754 000)	-	(55 754 000)	-	-	(55 754 000)	(60 815 613)	-	(5 061 613)	109 %	109 %
Total expenditure	**(182 725 000)**	**-**	**(182 725 000)**	**-**	**-**	**(182 725 000)**	**(167 095 980)**	**-**	**15 629 020**	**91 %**	**91 %**
Surplus/(Deficit)	**28 924 900**	**-**	**28 924 900**	**-**		**28 924 900**	**51 287 841**		**22 362 941**	**177 %**	**177 %**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	-		-	36 191 454		36 191 454	DIV/0 %	DIV/0 %
Contributions recognised - capital and contributed assets	44 700 000	-	44 700 000	-		44 700 000	-		(44 700 000)	- %	- %
Surplus (Deficit) after capital transfers and contributions	**73 624 900**	**-**	**73 624 900**	**-**		**73 624 900**	**87 479 295**		**13 854 395**	**119 %**	**119 %**
Surplus/(Deficit) for the year	**73 624 900**	**-**	**73 624 900**	**-**		**73 624 900**	**87 479 295**		**13 854 395**	**119 %**	**119 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2015				
Financial Performance				
Property rates				19 553 990
Service charges				7 557 236
Investment revenue				7 500 103
Transfers recognised - operational				137 738 074
Other own revenue				1 110 901
Total revenue (excluding capital transfers and contributions)				**173 460 304**
Employee costs	-	63 623 000	(63 623 000)	(56 268 869)
Remuneration of councillors	-	18 582 000	(18 582 000)	(15 294 114)
Debt impairment	-	-	-	(6 108 551)
Depreciation and asset impairment	-	3 100 000	(3 100 000)	(27 871 619)
Finance charges	-	-	-	(1 165 577)
Materials and bulk purchases	-	3 530 000	(3 530 000)	(2 994 109)
Other expenditure	-	63 121 000	(63 121 000)	(59 181 788)
Total expenditure	**-**	**151 956 000**	**(151 956 000)**	**(168 884 627)**
Surplus/(Deficit)				**4 575 677**
Transfers recognised - capital				52 246 775
Surplus (Deficit) after capital transfers and contributions				**56 822 452**
Surplus/(Deficit) for the year				**56 822 452**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below. These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make certain estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Fair value estimation

The carrying value less impairment allowance of receivables from exchange and non exchange transactions and payables from exchange transactions are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units, non-cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, indefined intangible assets are tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Useful lives of Property, plant and equipment

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Employee benefit obligation

The present value of the employee benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of employee benefits obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the Employee benefit obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related employee benefit liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Allowance for impairment of receivables

On consumer debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. Impairment on debtors is based on the payments received. Government debtors are not impaired.

Fair value determination of investment properties

In determining the fair value of investment property the entity applies a valuation methodology to determine the fair value of the properties based on any one of, or a combination of the following factors:
- The market related selling price of similar properties in the area; or
- Determining the replacement cost of the investment property.

1.4 Investment property

Initial recognition

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent measurement

Subsequent to initial measurement investment property is measured at fair value.

Accounting Policies

1.4 Investment property (continued)

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit (fair value adjustment) for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Transfers are made to or from investment property only when there is a change in use.
For a transfer from investment property to owner occupied property (property, plant and equipment) or inventory, the deemed cost for subsequent accounting is the fair value at the date of change in use.

If owner occupied property or inventory becomes an investment property, the entity accounts for such property in accordance with the policy stated under either property, plant and equipment or inventory up to the date of change in use.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.5 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, and their cost is significant to the asset in total they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is deemed to have an indefinite life. Landfil sites and borrowing pits are considered to be operational facilities that detereorate the condition of land. In such cases the legally restoration costs of land is capitalised to the assets and carried at cost less accumulated depreciation and impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Asset Sub Category	Asset Groups	EUL Range
Storm water network	Storm water assets	20 - 50 years
Water supply network	Distribution	10 - 10 years
Solid waste facilities	Waste processing facilities	15 - 100 years
Electricity network	LV Network	10 - 45 years
Electricity network	MV Network	15 - 45 years
Road network	Roads	5 - 100 years
Road network	Roadside assets	10 - 50 years
Land	Community facilities land	NA
Land	Housing land	NA
Land	Operational buildings land	NA
Land	Social facilities land	NA
Land	Sport and recreation facilities land	NA
Community facilities	Cemeteries / crematoria	15 - 100 years
Community facilities	Crèches / care centres	5 - 100 years
Community facilities	Halls / centres	5 - 100 years
Community facilities	Libraries	5 - 100 years
Community facilities	Parks	15 - 100 years
Servitudes	Road reserves	NA
Bridges	Road Bridges	45 - 55 years
Operational facilities	Municipal offices	5 - 100 years
Operational facilities	Stores	15 - 100 years
Operational facilities	Workshops / depots / yards	15 - 100 years
Social facilities	Social housing	7 - 100 years
Sport and recreation facilities	Outdoor recreational facilities	5 - 100 years
Sport and recreation facilities	Outdoor sport facilities	12 - 100 years
Housing	Staff housing	15 - 100 years
Capital spares	Capital spares - Road, rail and storm water network	45 - 55 years

Accounting Policies

1.5 Property, plant and equipment (continued)

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Remaining useful life estimates is based on management's best estimates of future use or service potential that can be received from existing assets if appropriate and sufficient maintanance practices are applied to assets.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Greater Taung LM assesses at each reporting date whether there is an indication that any item of property, plant and equipment may be impaired. If such an indication exists, the municipality estimates the recoverable service amount of the asset. In assessing whether there is any indication that an asset may be impaired, the municipality considers both external and internal sources of information. The recoverable service amount is the higher of the asset's fair value less cost to sell, and its value in use. Value in use is the present value of the asset's remaining service potential. If either of these amounts exceeds the asset's carrying value, the asset is not impaired, and it is not necessary to determine the other amount. If the asset's carrying value exceeds its recoverable service amount, the asset is impaired. The carrying amount of the asset is then reduced to its recoverable service amount and this reduction is the impairment loss which is charged as an expense to the Statement of Financial Performance.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

1.6 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

1.7 Financial instruments (continued)

- cash;
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

Accounting Policies

1.7 Financial instruments (continued)

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Fianance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

1.7 Financial instruments (continued)

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

1.7 Financial instruments (continued)

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.8 Tax

Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of Section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of Section 11, exempted in terms of Section 12 or are scoped out for VAT purposes. The municipaliry accounts for VAT on a monthly basis.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or

1.10 Inventories (continued)

- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

1.11 Impairment of cash-generating assets (continued)

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the municipality; or

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

1.12 Impairment of non-cash-generating assets (continued)

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- a municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from a municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;

1.13 Employee benefits (continued)

- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Accounting Policies

1.13 Employee benefits (continued)

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Interest cost is recognised and disclosed as finance charges in the statement of financial perfomance.

Long service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality’s obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in surplus or deficit as employee benefits upon valuation. Defined benefit plans are postemployment plans other than defined contribution plans. Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

Interest cost is recognised and disclosed as finance charges in the statement of financial perfomance.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1.14 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as a finance cost in surplus of deficit.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when a municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent liabilities
A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

Contingent Assets
A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. Contingent assets are not recognised as assets.

Contingencies are disclosed in note 37.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

1.14 Provisions and contingencies (continued)

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

1.16 Revenue from exchange transactions (continued)

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest received

Revenue arising from the use by others of the municipal assets yielding interest or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Investment income consists of interest received on short term investments and bank accounts and interest charged.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives.

Accounting Policies

1.23 Budget information (continued)

The approved budget covers the fiscal period from 01 July 2015 to 30 June 2016.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are not on the same basis of accounting. The annual financial statements are on the accreaul basis while the budget is on the cash basis. A comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.26 Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:

- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset's service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset's service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2015): Impairment of cash-generating assets

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. “Generally accepted accounting practice” has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

The municipality expects to adopt the standard for the first time in the 2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

3. Investment property

	2016			2015		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Investment property	21 534 000	-	21 534 000	21 534 000	-	21 534 000

Reconciliation of investment property - 2016

	Opening balance	Total
Investment property	21 534 000	21 534 000

Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	21 534 000	21 534 000

Pledged as security

No investment property has been pledged for security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The valuation was based on open market value for existing use. These assumptions are based on current market conditions.

Amounts recognised in surplus and deficit for the year:

	2016	2015
Rental revenue from investment property	62 600	40 294

The Investment properties were valued in terms of the requirements of GRAP 16 and the details of the valuation is available for inspection at the registered office of the municipality.

Properties were individually investigated to confirm classification as investment properties. Investment properties are identified under GRAP standards 16. The following criteria was used to determine whether a property should be classified as an investment property:

- Land or buildings held for long-term capital appreciation
- A building owned by the municipality and leased out to third parties under one or more operating leases
- Land held for a current undeterminable future use
- Property being constructed or developed for future use as investment property

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2016			2015		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	58 797 308	-	58 797 308	58 797 308	-	58 797 308
Buildings	197 570 527	(82 408 025)	115 162 502	173 327 375	(80 727 863)	92 599 512
Infrastructure	378 775 481	(169 323 465)	209 452 016	349 953 292	(159 928 442)	190 024 850
Work in Progress	52 250 262	-	52 250 262	74 124 009	-	74 124 009
Finance leased assets	1 846 106	(1 535 893)	310 213	1 846 106	(918 839)	927 267
Movable assets	48 356 566	(21 056 156)	27 300 410	40 696 625	(15 309 223)	25 387 402
Total	**737 596 250**	**(274 323 539)**	**463 272 711**	**698 744 715**	**(256 884 367)**	**441 860 348**

Reconciliation of property, plant and equipment - 2016

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Depreciation**	**Total**
Land	58 797 308	-	-	-	-	58 797 308
Buildings	92 599 512	-	(542 533)	30 437 775	(7 332 252)	115 162 502
Infrastructure	190 024 850	-	-	28 822 188	(9 395 022)	209 452 016
Work in Progress	74 124 009	37 386 216	-	(59 259 963)	-	52 250 262
Finance leased asset	927 267	-	-	-	(617 054)	310 213
Movable assets	25 387 402	7 705 956	-	-	(5 792 948)	27 300 410
	441 860 348	**45 092 172**	**(542 533)**	**-**	**(23 137 276)**	**463 272 711**

Reconciliation of property, plant and equipment - 2015

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Depreciation**	**Total**
Land	58 797 308	-	-	-	-	58 797 308
Buildings	90 594 343	-	-	11 433 118	(9 427 949)	92 599 512
Infrastructure	164 610 224	1 030 462	-	37 675 305	(13 291 141)	190 024 850

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Work in Progress	72 361 924	50 870 508	-	(49 108 423)	-	74 124 009
Finance leased assets	1 557 685	-	(14 157)	-	(616 261)	927 267
Movable	20 413 562	9 804 972	(294 864)	-	(4 536 268)	25 387 402
	408 335 046	**61 705 942**	**(309 021)**	**-**	**(27 871 619)**	**441 860 348**

Pledged as security

No items of Property, Plant and Equipment have been pledged as security.

Assets subject to finance lease (Net carrying amount)

Leased Assets	310 213	927 267

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

5. Intangible assets

	2016			2015		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Intangible assets	435 990	-	435 990	435 990	-	435 990

Reconciliation of intangible assets - 2016

	Opening balance	**Total**
Intangible assets	435 990	435 990

Reconciliation of intangible assets - 2015

	Opening balance	**Total**
Intangible assets	435 990	435 990

Pledged as security

No intangible assets are pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

6. Inventories

	2016	2015
Consumable stores	142 325	78 785
Water	492	2 697
Land held for sale	6 838 050	6 838 050
Fuel (Diesel, Petrol)	138 239	179 356
	7 119 106	**7 098 888**

Inventories recognised as an expense during the year	4 587 375	4 105 246

Inventory pledged as security

No inventory was pledged as security for any financial liability of the municipality.

7. Receivables from exchange transactions

	2016	2015
Other receivables	597 475	597 475
Prepaid expenses	420 786	367 646
Consumer debtors - Electricity	1 106 061	626 356
Consumer debtors - Water	691 565	126 819
Consumer debtors - Sewerage	2 732 581	521 402
Consumer debtors - Refuse	4 255 678	982 949
Consumer debtors - Other	5 074 920	240 027
	14 879 066	**3 462 674**

Pledged as security

None of the receivables from exchange transactions are pledged as security for any financial liability of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

8. Receivables from non-exchange transactions

Government grants and subsidies	3 269 702	514 533
Consumer debtors - Rates	26 389 192	20 077 779
	29 658 894	**20 592 312**

Government Grants and subsidies consist of:

Municipal Infrastructure Grant (MIG) (Note 24)	3 157 636	-
Department of Mineral and Energy (EPWP) (Note 24)	112 066	-
Housing Grant	-	514 533
	3 269 702	**514 533**

Housing Grant

Opening balance	514 533	514 533
Write down of receivable (Note 29)	(514 533)	-
Closing balance	**-**	**514 533**

During the year the council past a resolution to waive the amount owned by the Department of Human settement to the amount of R 514 533.

Pledged as security

None of the receivables from non-exchange transactions are pledged for security for any financial liability of the municipality.

9. VAT receivable

Value Added Tax (VAT)	6 603 286	1 357 688

The municipality is registered on the cash basis for VAT purposes. Thus output VAT is declared on receipt once cash is received and input VAT is claimed on payments when actual payments are made.

All VAT returns have been submitted timeously to SARS by due date throughout the year.

VAT Receivable at year end consists of:		
VAT output on payables	313 699	591 561
VAT Input on receivables	(908 408)	(600 179)
VAT Receivable from SARS	7 197 995	1 366 305
	6 603 286	**1 357 687**

10. Consumer debtors disclosure

Gross balances		
Rates	33 631 517	28 857 283
Electricity	2 106 271	1 470 010
Water	2 139 663	1 437 270
Sewerage	6 491 412	5 254 280
Refuse	7 991 998	6 616 247
Other	4 827 432	5 548 223
	57 188 293	**49 183 313**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

10. Consumer debtors disclosure (continued)

	2016	2015
Less: Allowance for impairment		
Rates	(7 404 500)	(8 779 504)
Electricity	(1 145 849)	(843 654)
Water	(1 452 600)	(1 310 451)
Sewerage	(3 803 156)	(4 732 878)
Refuse	(3 771 058)	(5 633 298)
Other	(774 813)	(5 308 196)
	(18 351 976)	**(26 607 981)**
Net balance		
Rates	26 227 018	20 077 779
Electricity	960 422	626 356
Water	687 062	126 819
Sewerage	2 688 256	521 402
Refuse	4 220 940	982 949
Other	4 052 619	240 027
	38 836 317	**22 575 332**
Included in above is receivables from exchange transactions		
Electricity	960 422	626 356
Water	687 062	126 819
Sewerage	2 688 256	521 402
Refuse	4 220 940	982 949
Other	4 052 619	240 027
	12 609 299	**2 497 553**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	26 227 016	20 077 779
Net balance	**38 836 315**	**22 575 332**
Rates		
Current (0 -30 days)	573 831	92 161
31 - 60 days	714 613	292 166
61 - 90 days	701 327	285 857
91 - 120 days	698 410	438 925
> 120 days	23 538 836	18 968 670
	26 227 017	**20 077 779**
Electricity		
Current (0 -30 days)	250 466	207 407
31 - 60 days	158 007	90 097
61 - 90 days	132 227	135 497
91 - 120 days	168 666	43 166
> 120 days	251 056	150 189
	960 422	**626 356**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

10. Consumer debtors disclosure (continued)

Water		
Current (0 -30 days)	70 343	31 439
31 - 60 days	77 998	22 479
61 - 90 days	76 401	22 570
91 - 120 days	89 088	5 793
> 120 days	373 282	44 538
	687 112	**126 819**

Sewerage		
Current (0 -30 days)	225 457	52 644
31 - 60 days	169 439	47 535
61 - 90 days	173 132	36 350
91 - 120 days	151 286	21 176
>120 days	1 968 942	363 697
	2 688 256	**521 402**

Refuse		
Current (0 -30 days)	328 010	147 971
31 - 60 days	244 091	95 255
61 - 90 days	220 722	82 148
91 - 120 days	226 357	76 729
> 120 days	3 201 760	580 846
	4 220 940	**982 949**

Sundry		
Current (0 -30 days)	57 469	118 219
31 - 60 days	53 071	189 017
61 - 90 days	41 403	165 186
91 - 120 days	115 436	145 604
> 120 days	3 785 239	(377 999)
	4 052 618	**240 027**

Summary of debtors by customer classification:

Industrial / Commercial		
Current (0 -30 days)	170 743	118 219
31 - 60 days	160 195	189 017
61 - 90 days	168 029	165 186
91 - 120 days	156 693	145 604
> 120 days	4 468 384	3 207 835
	5 124 044	**3 825 861**

Consumer		
Current (0 -30 days)	555 309	545 023
31 - 60 days	651 950	1 271 711
61 - 90 days	632 747	629 138
91 - 120 days	652 018	543 639
> 120 days	25 847 777	21 606 320
	28 339 801	**24 595 831**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

10. Consumer debtors disclosure (continued)

Industrial		
Current (0 -30 days)	779 524	355 594
31 - 60 days	605 073	405 237
61 - 90 days	544 436	442 022
91 - 120 days	640 534	495 588
> 120 days	21 154 880	19 063 180
	23 724 447	**20 761 621**

Summary of debtors by customer classification

Reconciliation of allowance for impairment		
Balance at beginning of the year	(26 607 981)	(20 449 430)
Reversal of allowance	8 256 005	(6 108 551)
	(18 351 976)	**(26 607 981)**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	9 018 443	3 635 405
Short-term deposits	107 019 466	99 117 494
	116 037 909	**102 752 899**

The carrying value of these assets approxiamates their fair value. The municipality does not have a bank overdraft facility. The bank have not been pledged for security.

The short term deposit relates to short term deposits held at local banks for no longer than 90 days and bears interest at market related terms.

Pleged for security

No items of cash and cash equivalents have been pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

11. Consumer debtors disclosure (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	**30 June 2015**	**30 June 2014**	**30 June 2016**	**30 June 2015**	**30 June 2014**
ABSA - Fixed Deposit (206 381 3884)	10 812 086	10 137 327	9 560 297	10 812 086	10 137 327	9 560 297
ABSA - Fixed Deposit (206 350 7897)	5 798 241	5 436 385	5 126 939	5 798 241	5 436 385	5 126 939
ABSA - Fixed Deposit (20 6460 1519)	2 461 320	2 307 714	2 176 356	2 461 320	2 307 714	2 176 356
ABSA - Housing (206 509 865)	54 561	51 156	48 244	54 561	51 156	48 244
FNB - Fixed Notice (740 8902 8507)	2 699 360	2 537 547	2 393 662	2 699 360	2 537 547	2 393 662
Nedbank - Investment (160 7777 69921)	574 247	539 189	509 162	571 622	539 189	511 297
Nedbank - SDL Fund (160 1777 69925)	73 176	68 708	64 483	72 841	68 708	64 483
Nedbank - Eco Green (160 7777 69928)	58 943	55 124	51 941	58 673	55 344	51 941
Standard Bank - Notice Deposit (048 5600 65004)	733 904	692 426	657 822	733 904	692 426	657 822
ABSA - Cheque Account (26 5056 0046)	9 047 202	3 710 304	5 665 063	9 015 258	3 632 410	5 435 410
ABSA Trust Keeton (206 350 72)	-	-	8 348	-	-	8 686
ABSA Fixed Deposit (20 6381 3842)	3 525 111	3 305 117	3 116 985	3 525 111	3 305 117	3 116 985
ABSA Fixed Deposit (20 6348 4566)	7 425 512	6 962 102	8 504 544	7 425 512	6 962 102	8 504 544
ABSA Fixed Deposit (20 6598 6332)	1 870 154	1 753 441	1 653 633	1 870 154	1 753 441	1 653 633
ABSA Fixed Deposit (20 6602 3614)	67 077 026	61 630 783	23 489 519	67 077 026	61 630 783	23 489 519
Nedbank Fixed Notice (16077776 9922)	1 779 102	1 670 487	1 567 762	1 774 024	1 670 487	1 567 762
Nedbank Fixed Notice (16077776 9923)	1 982 815	1 861 764	1 747 276	1 970 692	1 861 764	1 747 276
Nedbank Fixed Notice (16077776 9924)	99 116	93 065	87 342	98 663	93 065	87 342
Nedbank Call Deposit (37667500223)	15 726	14 937	14 459	15 677	14 937	14 452
Standard Bank Notice Deposit (248685880001)	3 184	2 995	2 995	3 184	2 997	2 994
Total	**116 090 786**	**102 830 571**	**66 446 832**	**116 037 909**	**102 752 899**	**66 219 644**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

12. Finance lease obligation

Minimum lease payments due		
- within one year	349 662	699 324
- in second to fifth year inclusive	-	349 663
	349 662	1 048 987
less: future finance charges	(8 508)	(67 375)
Present value of minimum lease payments	**341 154**	**981 612**
Present value of minimum lease payments due		
- within one year	341 154	341 155
- in second to fifth year inclusive	-	640 457
	341 154	**981 612**
Non-current liabilities	-	341 155
Current liabilities	341 154	640 457
	341 154	**981 612**

It is municipal policy to lease certain computer equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 9% (2015: 9%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

13. Employee benefit obligations

The municipality has the following employee benefit obligations:

Post retirement medical aid plan

The municipality operates an unfunded post-employment health care defined benefit plans for qualifying employees. Employees of the municipality are members of Bonitas, Hosmed, Samwumed and LA Health medical schemes. The most recent actuarial valuations of plan assets as the present value of the defined benefit obligation were carried out at 30 June 2016 by Mr C Weiss (BSc FFA), Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The municipality does not have long term assets set aside off-balance sheet in respect of the post employment health care liability.

Long Service Awards

Long service awards are provided to employees who acheive certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in surplus or deficit as employee benefits upon valuation. Defined benefit plans are postemployment plans other than defined contribution plans. Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

The amounts recognised in the statement of financial position are as follows:

	2016	2015
Carrying value		
Post Retirement benefits: Medical Aid (Note 13.1)	7 145 206	6 205 577
Long Service Awards (Note 13.2)	3 138 199	2 782 927
	10 283 405	**8 988 504**
Non-current liabilities	10 035 279	8 800 348
Current liabilities	248 126	188 156
	10 283 405	**8 988 504**

The change in the carrying values of the employee benefit obligations are as follows:

	2016	2015
Post Retirement Benefits: Medical Aid		
Opening balance	6 205 577	5 529 351
Current Service Cost - Included in Employee related costs (Note 25)	651 449	508 827
Finance Charges - Included in finance cost (Note 28)	592 468	528 344
Actuarial gain/ losses	(267 985)	(346 401)
Benefits paid during the year	(36 303)	(14 544)
Closing balance	**7 145 206**	**6 205 577**
Long Service Awards		
Opening Balance	2 782 927	2 416 207
Current Service Cost - Included in Employee related costs (Note 25)	321 701	271 570
Finance Charges - Included in Finance cost (Note 28)	220 685	197 031
Actuarial gain / losses	(76 222)	(51 228)
Benefit paid during the year	(110 892)	(50 653)
Closing balance	**3 138 199**	**2 782 927**
Total Employee Benefit Obligation		
Opening Balance	8 988 504	7 945 558
Current Service Cost	973 150	780 397

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

13. Employee benefit obligations (continued)

Finance Charges	813 153	725 375
Actuarial gain / losses	(344 207)	(397 629)
Benefits paid during the year	(147 195)	(65 197)
Less: current portion of liability	(248 126)	(188 156)
Closing balance	**10 035 279**	**8 800 348**

Current portion of the liability consist of:

Post retirement benefits: Medical aid	48 048	15 420
Long service awards	200 078	172 736
	248 126	**188 156**

Net expense recognised in the statement of financial performance

Current service cost	973 150	780 397
Interest cost	813 153	725 375
Actuarial (gains) losses	(344 207)	(397 629)
Settlement	(147 195)	(65 197)
	1 294 901	**1 042 946**

13.1 Post Retirement Benefits: Medical Aid

The post retirement benefit plan is classified as a defined benefit plan, of which the members are made up of the following:

In-service (employee) members	168	151
In-service (employee) non-members	91	107
Continuation (retiree and window) members	3	1
Total	**262**	**259**

The liability in respect of the periods commencing prior to the comparative year has been estimated as follows:

In-service (employee) members	5 073 644	4 633 588
In-service (employee) non-members	1 398 132	1 419 939
Continuation (retiree and widow) members	673 430	152 050
	7 145 206	**6 205 577**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:
- Bonitas;
- Hosmed:
- LA Health; and
- Samwumed.

Key actuarial assumptions used

Rate of interest used:

Discount rates	9.39 %	9.22 %
Health care inflation rate	8.43 %	8.26 %
Net effective discount rate	0.88 %	0.89 %

Mortality Rates:

The PA 90 ultimate table, rated down 1 year of age was used by the actuaries.

Figures in Rand	2016	2015

13. Employee benefit obligations (continued)

Normal Retirement Age:

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and illhealth retirement.

Total amount recognised in the statement of financial position are as follows:		
Present value of funded obligation	-	-
Present value of unfunded obligation	7 145 206	6 205 577
Less: Fair value of plan assets	-	-
Present value of obligation in excess of plan assets	**7 145 206**	**6 205 577**

Sensitivity analysis on the accrued liability

The liability at the valuation date was recalculated to show the effect of:

(i) a 1% increase and decrease in the assumed rate of health care cost infalation;
(ii) a 1% increase and decrease in the discount rate;
(iii) a one-year age reduction in the assumed rates of post-retirement mortality;
(iv) a one-year decrease in the assumed average retirement age; and
(v) a 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

The effect of movements in the assumptions for the year ended **30 June 2016** in the obligation are as follows:

Assumptions	**Change in assumption**	**In-Service members liability**	**Continuation members liability**	**Total liability**	**% Change**
Central assumptions	-	6 472 000	673 000	-	-
Health chare inflation	1 %	8 005 000	738 000	8 743 000	22 %
Health care inflation	-1 %	5 278 000	617 000	5 895 000	-17 %
Discount rate	1 %	5 296 000	618 000	5 914 000	-17 %
Discount Rate	-1 %	8 006 000	738 000	8 744 000	22 %
Post retirement mortality	- one year	6 710 000	701 000	7 411 000	4 %
Average retirement age	- one year	6 994 000	673 000	7 667 000	7 %
Withdrawal rate	-10 %	4 992 000	673 000	5 665 000	-21 %

The effect of movements in the assumptions for the year ended **30 June 2016** on the interest and service costs are as follows:

Assumption	**Change in assumption**	**Current service cost**	**Interest cost**	**Total**	**% Change**
Central assumptions	-	651 400	571 600	1 223 000	-
Health care inflation	1 %	817 400	699 800	1 517 200	24 %
Health care inflation	-1 %	524 300	471 100	995 400	-19 %
Discount rate	1 %	531 000	523 900	1 054 900	-14 %
Discount rate	-1 %	810 100	624 000	1 434 100	17 %
Post retirement mortality	- one year	675 000	593 000	1 268 000	4 %
Average retirement age	- one year	705 900	615 300	1 321 200	8 %
Continuation of membership at retirement	-10 %	498 900	439 900	938 800	-23 %

The effect of movements in the assumptions for the year ended **30 June 2015** in the obligation are as follows:

Figures in Rand	2016	2015

13. Employee benefit obligations (continued)

Assumption	**Change in assumption**	**In-Service members liability**	**Continuation members liability**	**Total liability**	**% Change**
Central assumptions	-	6 053 527	152 050	6 205 577	-
Health care inflation	1 %	7 434 000	162 000	7 596 000	22 %
Health care inflation	-1 %	4 973 000	143 000	5 116 000	-18 %
Discount rate	1 %	4 990 000	143 000	5 133 000	-17 %
Discount rate	-1 %	7 435 000	162 000	7 597 000	22 %
Post retirement mortality	- one year	6 278 000	159 000	6 437 000	4 %
Average retirement age	- one year	6 528 000	152 000	6 680 000	8 %
Withdrawal rate	-10 %	4 626 000	152 000	4 778 000	-23 %

The effect of movements in the assumptions for the year ended **30 June 2015** on the interest and service costs are as follows:

Assumption	**Change in assumption**	**Current service cost**	**Interest cost**	**Total**	**% Change**
Central assumptions	-	508 827	528 344	1 037 171	-
Health care inflation	1 %	638 000	647 000	1 285 000	24 %
Health care inflation	-1 %	409 400	434 800	844 200	-19 %
Discount rate	1 %	414 700	481 800	896 500	-14 %
Discount rate	-1 %	633 100	580 100	1 213 200	-17 %
Post retirement mortality	- one year	527 200	548 100	1 075 300	4 %
Average retirement age	- one year	535 900	596 000	1 131 900	7 %
Continuation of membership at retirement	-10 %	392 000	405 000	797 000	-23 %

13.2 Long service awards

The long service awards are defined benefit plans.

	2016	2015
Eligible employees	259	258

Key actuarial assumptions used:

Rate of interest

	2016	2015
Discount rate	8.57 %	8.18 %
General salary inflation	7.22 %	7.17 %
Net effective discount rate applied to salary related long service awards	1.26 %	0.94 %

Mortality Rates

The SA 85-90 ultimate table was used by the actuaries.

Average retirement age

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and illhealth retirement.

Total amount recognised in the statement of financial position are as follows:

	2016	2015
Present value of funded obligation	-	-
Present value of unfunded obligation	2 782 927	2 782 927

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
13. Employee benefit obligations (continued)		
Less: Fair value of plan assets	-	-
Present value of obligation in excess of plan assets	**2 782 927**	**2 782 927**

Sensitivity analysis on the accrued liability

The liability at the valuation date was recalculated to show the effect of:

(i) a 1% increase and decrease in the assumed general salary infalation rate;
(ii) a 1% increase and decrease in the discount rate;
(iii) a two-year increase and decrease in the assumed average retirement age of employees; and
(iv) a 50% decrease in the assumed withdrawal rate.

The effect of movements in the assumptions for the year ended **30 June 2016** in the obligation are as follows:

Assumption	Change in assumption	Total liability	% Change
Central assumptions	-	3 138 199	-
General salary inflation	1 %	3 370 000	7 %
General salary inflation	-1 %	2 931 000	-7 %
Discount rate	1 %	2 921 000	-7 %
Discount rate	-1 %	3 385 000	8 %
Average retirement age	- two years	2 814 000	-10 %
Average retirement age	+ two years	3 402 000	8 %
Withdrawal rate	-50 %	3 741 000	19 %

The effect of the movement in the assumptions for the year ended **30 June 2016** in the current service and the interest cost are as follows:

Assumption	Change in assumption	Current service cost	Interest cost	Total	% Change
Central assumptions	-	321 701	220 685	542 386	-
General salary inflation	1 %	353 900	238 000	591 900	9 %
General salary inflation	-1 %	293 300	205 100	498 400	-8 %
Discount rate	1 %	295 000	229 400	524 400	-3 %
Discount rate	-1 %	352 500	210 000	562 500	4 %
Average retirement age	- two years	292 000	197 300	489 300	-10 %
Average retirement age	+ two years	346 400	245 800	592 200	9 %
Withdrawal rate	-50 %	430 400	265 900	696 300	28 %

The effect of movements in the assumptions for the year ended **30 June 2015** in the obligation are as follows:

Assumption	Change in assumptions	Total liability	% Change
Central assumptions	-	2 782 297	-
General salary inflation	1 %	2 996 000	8 %
General salary inflation	-1 %	2 593 000	-7 %
Discount rate	1 %	2 584 000	-7 %
Discount rate	-1 %	3 010 000	8 %
Average retirement age	+ two years	2 497 000	-10 %
Average retirement age	- two years	3 089 000	11 %
Withdrawal rate	-50 %	3 336 000	20 %

The effect of the movement in the assumptions for the year ended **30 June 2015** in the current service and the interest cost are as follows:

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

13. Employee benefit obligations (continued)

Assumption	Change in assumption	Current service cost	Interest cost	Total	% Change
Central assumptions	-	271 570	197 031	468 601	-
General salary inflation	1 %	299 000	212 800	511 800	9 %
General salary inflation	-1 %	247 400	182 900	430 300	-8 %
Discount rate	1 %	248 900	203 900	452 800	-3 %
Discount rate	-1 %	297 700	188 400	486 100	4 %
Average retirement age	+ two years	248 300	176 700	425 000	-9 %
Average retirement age	- two years	292 400	219 200	511 600	9 %
Withdrawl rate	-50 %	364 600	238 500	603 100	29 %

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastrcture Grant (MIG)	-	24 387 344
Local Government - Disaster Fund	505 700	505 700
Municipal Systems Improvement Grant (MSIG)	33 345	369 229
Department of Sports - Liabrary Grant	2 121 168	2 005 418
Department of Minerals and Energy (EPWP)	-	427 251
Neighbourhood Development Partnership Grsant (NDP)	-	2 445 921
Finance Management Grant (FMG)	762	768
Supply of Electricity Integrated National Electrification Programme Grant (INEP)	-	947 420
	2 660 975	**31 089 051**

See note 24 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

15. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Unwinding of provision	Total
Environmental rehabilitation	10 356 276	312 659	10 668 935

Reconciliation of provisions - 2015

	Opening Balance	Additions	Unwinding of provision	Total
Environmental rehabilitation	8 998 428	1 030 465	327 383	10 356 276

	2016	2015
Non-current liabilities	9 132 668	8 567 335
Current liabilities	1 536 267	1 788 941
	10 668 935	**10 356 276**

The municipality operates on four landfill sites. The in year actual operationnal costs is expensed in the statement of financial performance. The provision is calculated in order to finance the rehabilitation cost of each site when it reaches 100% capacity.

Environmental rehabilitation provision

The provision for rehabilitation of landfill and waste disposal sites relates to the legal obligation to rehabilitate landfill sites and waste disposal sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).

The Landfill sites are registered as official dumping sites and are therefore operated without a permit. As disclosed in the Government Gazette no 10747 dated 24 July 2015, the maximum fine applicable for operating a waste disposal site under section 24G Fine Regulations of NEMA, rounds up to R10 million per site and a contingent liability has been disclosed.

Section 24G (1) of the NEMA also stipulates that the landfill site be closed with immedaite effect if no objection has been made by the municipality, therefore the provision for rehabilitation has been calculated as a current liability at 30 June 2016.

The calculation was based on cost to close and rehabilitate the site within 12 months after 30 June 2016. As the closure date is estimated to be at year end, no discount rates were applied.

Management has included the best estimated amount as the actual amount is uncertain. The payment of total closure and rehabilitation dates are uncertain.

The provision has been determined by an independent firm of consultants through investigation to determine the best estimated rehabilitation costs for the waste disposal sites at the end of its useful life.

16. Payables from exchange transactions

	2016	2015
Trade payables	3	44 034
Payments received in advanced	1 294 530	1 298 242
Accrued leave pay	6 473 612	4 863 552
Accrued bonus	1 469 212	1 236 615
Accrued expense	3 768 833	5 559 344
Deposits received	152 147	119 897
Other payables	-	59 183
Retentions	9 824 040	9 365 467
	22 982 377	**22 546 334**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

17. Consumer deposits

Electricity	123 734	131 934

Deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account balance.

No interest is paid to consumers on deposits held.

18. Revenue

Service charges	8 256 899	7 557 236
Rental of facilities and equipment	421 042	329 679
Other income from exchange transactions	1 340 010	311 168
Investment income	10 863 603	7 500 103
Property rates	18 405 628	17 999 611
Property rates - penalties imposed	3 271 460	1 554 379
Government grants & subsidies	211 587 776	189 984 849
Other income from non exchange transactions	84 650	72 425
	254 231 068	**225 309 450**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	8 256 899	7 557 236
Rental of facilities and equipment	421 042	329 679
Other income	1 340 010	311 168
Investment income	10 863 603	7 500 103
	20 881 554	**15 698 186**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	18 405 628	17 999 611
Property rates - penalties imposed	3 271 460	1 554 379
Transfer revenue		
Government grants & subsidies	211 587 776	189 984 849
Other Income	84 650	72 425
	233 349 514	**209 611 264**

19. Service charges

Sale of electricity	2 912 792	2 714 258
Sale of water	766 583	599 637
Sewerage and sanitation charges	1 892 872	1 618 034
Refuse removal	2 684 652	2 625 307
	8 256 899	**7 557 236**

20. Rental of facilities and equipment

Rental of facilities and equipment consists of:		
Premises	62 600	40 294
Community hall	78 490	56 557
Other	279 952	232 828
	421 042	**329 679**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

21. Other income

Other Income	1 340 010	311 168

The amount included in other income arising from exchanges of goods or services are as follows:

Sundry income	1 279 227	324 405

The amount included in other income arising from non-exchange transactions is as follows:
Taxation revenue

Subsidy from SETA	84 649	72 425

22. Investment Income

Interest revenue

Cash and cash equivalents	9 010 678	5 886 453
Interest charged on consumer debtors	1 852 925	1 613 650
	10 863 603	**7 500 103**

The amount included in Investment income arising from exchange transactions amounted to R 1 852 925 (2015: R1 613 650).

The amount included in Investment revenue arising from non-exchange transactions amounted to R 9 010 678 (2015: R5 886 453).

23. Property rates

Rates received

Residential	21 201 621	22 074 908
Less: Income forgone	(2 795 993)	(4 075 297)
	18 405 628	17 999 611
Property rates - penalties imposed	3 271 460	1 554 379
	21 677 088	**19 553 990**

Valuations

Residential	324 333 700	324 333 700
Commercial	260 082 600	260 082 600
State	825 082 195	825 082 195
Municipal	19 615 000	19 615 000
Small holdings and farms	1 450 472 960	1 450 472 960
Other	44 534 100	44 534 100
	2 924 120 555	**2 924 120 555**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 September 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation was implemented on 01 July 2014.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

24. Government grants and subsidies

Operating grants		
Equitable share	171 557 000	134 670 000
Local Government Financial Management Grant (FMG)	1 875 006	1 799 113
Department of Minerals and Energy (EPWP)	1 964 316	1 268 961
	175 396 322	**137 738 074**
Capital grants		
Municipal Systems Improvement Grant (MSIG)	897 569	873 801
Department of Sport - Library	1 084 249	203 710
Municipal Infrastructure Grant (MIG)	34 209 636	46 132 705
Neighbourhood Development Partnership Grant (NDP)	-	3 783 979
Intergrated National Elecrification Programme (INEP)	-	1 252 580
	36 191 454	**52 246 775**
	211 587 776	**189 984 849**

Revenue recognised per vote as required by section 123(c) of the MFMA

Executive and Council	53 067 259	41 921 478
Corporate Services	33 200 068	26 277 413
Planing and development	7 673 446	6 499 581
Community and Social Services	4 885 357	3 681 145
Budget and Treasury	7 984 668	3 160 000
Sport and Recreation	9 403 480	7 447 539
Waste water management	7 987 401	6 315 389
Solid waste management	16 844 039	12 333 004
Road and Transport	16 972 793	15 513 194
Water Distribution	4 461 421	3 990 538
Electricity Distribution	9 077 068	7 530 719
	171 557 000	**134 670 000**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	36 482 000	73 414 000
Unconditional grants received	171 557 000	134 670 000
	208 039 000	**208 084 000**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	24 387 344	11 328 048
Current-year receipts	31 052 000	59 192 000
Conditions met - transferred to revenue	(34 209 636)	(46 132 704)
Other	(24 387 344)	-
	(3 157 636)	**24 387 344**

The purpose of this grant is to provide capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions; provide for new, rehabilitation and upgrading of municipal infrastructure; and eradicate bucket sanitation system mainly in urban townships.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

24. Government grants and subsidies (continued)

Department of Local Government - Disaster Fund

Balance unspent at beginning of year	505 700	505 700

Conditions still to be met - remain liabilities (see note 14).

The purpose of this grant is to assist the municipality in managing disaster in the area, most commonly flooding.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	369 229	309 030
Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(897 569)	(873 801)
With held	(368 315)	-
	33 345	**369 229**

Conditions still to be met - remain liabilities (see note 14).

The purpose of this grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act 2000 and related legislation and policies.

Library Service Grant

Balance unspent at beginning of year	2 005 418	1 589 128
Current-year receipts	1 199 999	620 000
Conditions met - transferred to revenue	(1 084 249)	(203 710)
	2 121 168	**2 005 418**

Conditions still to be met - remain liabilities (see note 14).

The purpose of the grant is to assist the liabrary of the municipality's activities and assets. Assets are procured as well as projects to prevent theft of books with the use of security tags.

Department of Minerals and Energy (EPWP)

Balance unspent at beginning of year	427 251	116 212
Current-year receipts	1 425 000	1 580 000
Conditions met - transferred to revenue	(1 964 317)	(1 268 961)
	(112 066)	**427 251**

Conditions still to be met - remain liabilities (see note 14).

The purpose of this grant is to subsidise the municipality to clean and secure the environment.

Neighbourhood Development Partnership Grant (NDP)

Balance unspent at beginning of year	2 445 921	(3 058 100)
Current-year receipts	-	9 288 000
Conditions met - transferred to revenue	-	(3 783 979)
Withheld	(2 445 921)	-
	-	**2 445 921**

To support neighbourhood development projects that provide community infrastructure and create the platform for other public and private sector development, towards improving the quality of the life of residents in targeted underserved neighbourhoods.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

24. Government grants and subsidies (continued)

Local Government Financial Management Grant (FMG)

Balance unspent at beginning of year	768	94 881
Current-year receipts	1 875 000	1 800 000
Conditions met - transferred to revenue	(1 875 006)	(1 799 113)
Other	-	(95 000)
	762	**768**

Conditions still to be met - remain liabilities (see note 14).

The purpose of this grant is to promote and support reforms in financial management by building the capacity in municipalities to implement the municipal finance management act.

Intergrated National Electrification Programme Grant (INEP)

Balance unspent at beginning of year	947 420	2 200 000
Conditions met - transferred to revenue	-	(1 252 580)
Withheld	(947 420)	-
	-	**947 420**

The purpose of the grant is to address electrification backlogs of schools and clinics.

Total Grant

Balance unspend at the begining of the year	31 089 051	13 084 899
Current year receipts	214 039 000	206 831 420
Conditioms met - transferred to revenue	(217 587 777)	(188 732 268)
Withheld	(28 149 000)	(95 000)
	(608 726)	**31 089 051**

Grants included in receivables from non exchange transactions	(3 269 702)	(31 089 051)
Grants included in unspent conditional grants	2 660 976	-
	(608 726)	**(31 089 051)**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

25. Employee related costs

Basic	41 960 391	38 541 667
Salaries - temporary workers	-	365 586
Bonus	3 409 137	2 484 761
Medical aid - company contributions	3 162 275	2 732 698
UIF	374 151	311 358
SDL	430 016	350 067
Provident fund	12 090	11 204
Pension fund - company contributions	7 207 181	6 157 186
Current service cost	973 150	780 397
Car allowance	7 270 003	2 656 998
Housing benefits and allowances	586 465	1 301 977
Leave reserve	3 829 714	555 410
Bargaining council	23 040	19 560
	69 237 613	**56 268 869**

Current services cost consist of:

Long Service Awards (note 13.2)	321 701	271 570
Post retirement benefits: Medical Aid (note 13.1)	651 449	508 827
	973 150	**780 397**

Remuneration of Municipal Manager: KT Gabanakgosi

Annual Remuneration	963 408	877 329
Car Allowance	240 000	240 000
Cellphone allowance	12 000	12 000
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Other allowances	93 605	61 423
Backpay	24 361	51 974
	1 335 159	**1 244 511**

Remuneration of Chief Financial Officer: MP Vermaak

Annual Remuneration	751 039	684 444
Car Allowance	180 000	180 000
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Backpay	18 847	40 212
Cellphone allowance	9 000	9 000
Other allowance	46 909	39 761
	1 007 580	**955 202**

Remuneration of Director of Technical Services: MD Duma

Annual Remuneration	818 112	759 594
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Backpay	16 561	35 334
Cellphone Allowance	9 000	9 000
Other Allowances	-	20 907
	845 458	**826 620**

Remuneration of Director of Corporate Services: K Forane

Annual Remuneration	519 444	639 594
Car Allowance	90 000	120 000
Leave payment	131 500	19 723

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

25. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	1 338	1 785
Cellphone Allowance	6 750	9 000
Other Allowances	65	20 069
Backpay	16 561	35 335
	765 658	**845 506**

Remuneration of Director of Social Services: GG Huma

Annual Remuneration	602 595	704 217
Car Allowance	-	52 500
Contributions to UIF, Medical and Pension Funds	446	1 785
Leave payment	149 471	35 340
Cellphone Allowance	3 150	9 300
Other Allowances	12 790	446
	768 452	**803 588**

26. Remuneration of councillors

Executive Mayor	782 484	718 494
Executive Committee Members	5 726 133	5 463 343
Speaker	630 888	574 797
Councillors	10 106 970	8 537 479
	17 246 475	**15 294 113**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and Speaker each have the use of separate Council owned vehicles for official duties.

27. Depreciation

Property, plant and equipment	23 137 276	27 871 619

28. Finance cost

Trade and other payables	7 074	2 121
Finance leases	58 867	110 697
Finance charges on landfill sites	312 660	327 384
Finance charges on employee benefits obligations	813 153	725 375
	1 191 754	**1 165 577**

Finance charges on employee benefit obligation relates to:

Post retirement benefits: Medical Aid	592 468	528 344
Long service awards	220 685	197 031
	813 153	**725 375**

29. Allowance for impairment

Debt impairment	(8 256 005)	6 108 551
Bad debts written off	514 533	-
	(7 741 472)	**6 108 551**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

30. Bulk purchases

Electricity	3 208 721	2 994 109

31. Contracted services

Information Technology Services	1 271 234	1 364 642
Fleet Services	5 185 515	3 586 026
Operating Leases	3 346 815	5 978 623
Other Contractors	3 893 350	2 381 100
	13 696 914	**13 310 391**

32. Repair and Maintenance

Repairs and maintenance

Buildings	1 228 259	451 347
Computer equipment	141 659	311 559
Furniture and office equipment	-	4 911
Network maintenance	2 909 577	2 479 175
Street and storm water drainage	872 506	824 207
Tools	610 615	541 027
Vehicles	2 094 568	2 229 104
	7 857 184	**6 841 330**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

33. General expenses

Advertising	600 100	607 124
Auditors remuneration	2 443 381	4 165 480
Bank charges	154 746	144 462
Cleaning	625 279	620 662
Commission paid	1 779 475	1 743 673
Grants paid	856 586	873 801
Consulting and professional fees	807 213	885 200
Consumables	790 874	311 991
Debt collection	-	(19 500)
Delivery expenses	4 185 810	2 840 866
Discount allowed	96 395	125 074
Donations	2 282 329	1 974 991
Entertainment	1 592 484	1 282 676
Health and Safety	267 721	277 966
Magazines, books and periodicals	1 656	12 039
Medical expenses	581 458	591 315
Fuel and oil	4 143 588	3 973 780
Postage and courier	29 759	37 894
Printing and stationery	459 841	391 200
Protective clothing	270 409	295 719
Subscriptions and membership fees	887 818	842 053
Training	942 112	1 140 666
Travel - local	1 390 436	1 355 799
Refuse	209 633	488 500
Title deed search fees	325 774	9 348
Electricity	2 370 839	2 716 833
Tourism development	32 360	42 545
Accomodation costs	1 062 757	971 563
Allowance ward commitee members	3 158 245	3 031 613
Asset management	-	127 800
Business support / SMME facilitation	104 875	167 026
Sports	150 000	150 000
Disaster expense	298 080	302 733
Veterinary department	170 222	551 500
Venue expenses	562 205	399 700
Chemicals	1 964 316	1 268 961
Water usage	82 698	386 773
Other expenses	3 037 510	3 802 727
	38 718 984	**38 892 553**

34. Auditors' remuneration

Fees	2 443 381	4 165 480

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

35. Cash generated from operations

Surplus	87 479 295	56 822 452
Adjustments for:		
Depreciation	23 137 276	27 871 619
Gain on disposal of property, plant and equipment	542 531	722 211
Actuarial gains and losses	(344 207)	(397 629)
Finance costs paid	1 191 754	1 165 577
Allowance impairment	(7 741 472)	6 108 551
Movements in retirement benefit assets and liabilities	1 294 901	1 042 946
Movements in provisions	312 659	1 357 848
Changes in working capital:		
Inventories	(20 218)	(2 088)
Receivables from exchange transactions	(11 416 392)	(2 897 975)
Allowance for impairment	7 741 472	(6 108 551)
Receivables from non-exchange transactions	(9 056 344)	(24 855 113)
Payables from exchange transactions	436 036	398 014
VAT Receivable	(5 245 598)	4 267 449
Unspent conditional grants and receipts	(28 428 076)	33 461 347
Consumer deposits	(8 200)	(2 980)
	59 875 417	**98 953 678**

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	23 977 444	20 757 231
Total capital commitments		
• Already contracted for but not provided for	23 977 444	20 757 231
Total capital commitments		
Authorised capital expenditure	23 977 444	20 757 231

This committed expenditure relates to property and will be financed by available bank facilities and existing cash resources, funds internally generated, etc.

Figures in Rand	2016	2015

37. Contingencies

Contingent liabilities

Claims and damages

	2016	2015
MH Office Machine and stationery: issued summons against the municipality for having submitted numerous invoices for payment for alleged leases of printers and copiers, which the municipality has refused to pay. A bill of cost is being prepared for costs to be recovered. The matter is still pending.	-	90 000
Maxima Global Engineering: issued a summons against the municipality for an alleged breach of contract after developing 2000 RDP houses. The private arbitration proceedings have resumed and further hearings been conducted. The matter is still pending.	1 500 000	1 500 000
Glenaps Building CC issued summons against the municipality for renovations which they claim to have made at Taung Library in September 2005. An application for a trial date has been made, they are still awaiting a response to have the matter dismissed from the court roll.	30 000	30 000
Cidar Point Joint Venture: Issued summons against the municipality relying on an alleged repudiation of contract by the municipality. The municipality is taking a "locus standi" of the joint venture to institute legal proceedings on the ground that the joint is an unincorporated joint venture and was established purely for the purpose of submission of the tender.	51 435	3 000 000
Martin Vermaak: Issued summons against the municipality for dismissal from work which he considered was procedurally and substantively unfair, and ordered that he be reinstated and remunerated seven months salary and legal costs. Labour appeal court hearing 1 September 2015. Awaiting judgement.	280 000	280 000
Samwu Thuso Bloem: He lodged a grievance with the CCMA which also got dismissed and the determination of the disciplinary enquiry upheld. He has at this point filed a Review Application and the Greater Taung Local Municipality has filed a statement of defence.	44 987	500 000
L.W. Mahura: This is about a councillor questioning the legitimacy of the appointment of the Municipal Manager Mr. Katlego Gabanakgosi. In November 2014, the North West High Court ruled that the appointment was not legitimate. Then Greater Taung Local Municipality in return challenged the ruling and lodged an application for leave to Appeal which was granted and Leave to Appeal was heard on the 21st of August 2015. Rulling in favour of the municipality.	35 557	1 500 000
T. Mametja: Dsciplinary hearing for misconduct. Employee on suspension with pay. Awaiting judgement	190 000	-
M.M. Nobula: Appeal against disciplinary hearing decision of demotion. Awaiting Appeal decision.	60 000	-
K FORANE: Disciplinary hearing for dismissal. Finanlised.	265 000	-
K Forane: Arbitration on going. Matter postponed and to submitt further documents.	180 000	-
R.M. Duma: Disciplinary hearing on going.Dealing with preliminary points.	380 000	-
Mr W. Itumeleng: Arbitration settlement reached.	54 600	-

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
37. Transfer of functions between entities under common control (continued)		
C/N. 356/2015: GTLM/ Various Unlawful land occupiers: Eviction order: No monetary claim. Eviction order granted.	50 000	-
C/N. 212/2016: (Rustenmburg): BA Tlhage/GTLM: Claim for R400 000.00. finanlised, applicant's application dismissed	13 161	-
C/N 336/2015: Phungo Attorneys/GTLM: Default Judgment rescinded: Action pending	50 000	-
	3 184 740	**6 900 000**

The municipality operated on an illegal landfill site without the necessary licences. The municipality can be fined and/or criminal charges can be filed for the offence in terms of the National Environmental Management Waste Act of 2008. The maximuim penalty imposed on such an offence approxiamates R 10 million. The outcome will be confirmed through the courts.

Contingent assets

The Manokwane Disaster Project was subsequently identified to be irregular expenditure. In accordance with MFMA section 167, this irregular expenditure must be recovered and therefore has been handed over for investigation to EY. The investigation consists of confirming whether irregularities incurred during the spending on the Manokwane Disaster project. The investigation is currently referred to MPAC. Expenditure which may be recoverable amounts to R3 273 102.

The municipality purchased building material for Maxima Globala engineering and was placed in both Maxima engineering and Buya nempumelelo's possesion. Neither Maxima nor Buya nempumelelo perfomed their duties and the material remained in their possesion. A dispute arose between Maxima and Buya nempumelelo which resulted in the material being moved unlawfully. The municipality attempted to regain possesion of the material and were unsuccessful. Isang Nakale INC were appointed to recover from both companies an amount of R50 000.

Rename Mokalane incorporated: Mokhetle INC is representingn the municipality on bills of 3 taxation invoicea for the company above. The company was considered to have fraudulently over exhaustive bills for the work which was not done. Expenditure which my be recovered amounts to R377 000.

38. Related parties

Relationships

Members of key management	Refer to Accounting Officer's report and note 25
Members of key management	Refer to general information and note 25
Members of Council	Refer to general information and note 26

The municipality receives internal audit and risk management services from Dr Ruth Segomotsi Mompati District Municipality for no value.

Key management and Councillors receive and pay services on the same terms and conditions as other rate payers. These transactions are recorded at arm's length.Refer to note 26.

Compensation to the Accounting Officer and other key management is set out in note 25 to the Annual Financial Statements.

Notes to the Annual Financial Statements

39. Prior period errors

The following errors relating to prior years were identified in the current period and have been adjusted as indicated below:

Inventories:

During the year a land audit was performed resulting in property recoginsed as land held for sale resulting in and understatement of inventories to the amount of R 6 836 688.

VAT Recievable

VAT were incorrecIty claimed on assets in the prior year resulting in the overstatement of VAT receivable and an understatement of Property, Plant and Equipment to the amount of R 178 975.

Investment Property:

During the year the municipality reconstructed the investment property resulting in an overstatement of investment property to the amount of R 2 412 055 and an overstatement of the fair value adjustments to the amount of R 13 650.

Property, Plant and equipment:

- *Finance leased assets*

Depreciation charged on the finance lease assets in the prior year were incorrectly calculated resulting in the understatement of depreciation and property, plant and equipment to the amount of R 1 565.

- *Movable assets*

The municipality restructured its movable asset register resulting in prior year correction. The restructuring of the asset register resulted in the overstatement of Property, plant and equipment to the amount of R 2 010 175 and underrstatement of the depreciation charge to the amount of R 309 012 and the understatement of losses on the disposal of assets to the amount of R 137 513.

- *Immovable assets*

Assets where ommitted in the prior year fixed asset register resulting assets being recognised. Watermeters were capitalised in the prior year.

Payables from exchange transactions:

Receipts from customers in the prior year were unallocated resulting in a overstatement of payables and an understatment of other income to the amount of R 6 263.

Provisions:

The effect of unwinding in the previous year were not taken into account. This resulted in the understatement of the provision to the amount of R 761 244 and understatement of finance cost to the amount of R 327 384.

General Expenses:

In the previous financial year interest charges on accounts with the electricity provider were incorrectly included in the general expense instead of finance costs. This resulted in the overstatement of general expenses and the understatement of finance costs to the amount of R 2 121.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Inventories	6 836 688	6 836 688
VAT Receivable	(178 975)	(178 975)
Investment properties	(2 412 055)	(2 412 055)

39. Prior period errors (continued)

Property, plant and equipment	56 184 235	56 184 235
Payables from exchange transactions	6 263	6 263
Provisions	761 244	761 244
Accumulated Surplus	(61 197 401)	(62 392 126)

Statement of Financial Performance

Other income	-	(6 263)
Depreciation	-	749 742
Finance Cost	-	329 505
General expenses	-	(2 121)
Gains or losses on the disposal of assets	-	137 513
Fair value adjustment	-	(13 650)

40. Financial instrument disclosure

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Exposure to interest rate, liquidity and credit risk arises in the normal course of the municipality's operations. This note presents information about the miunicipality's exposure to each of the above risks, its policies and processes for measuring and managing risk, and the municipality's management of capital. Further quantitative disclosures are included throughout these financial statements.

The District Audit and Risk Committee is responsible for overseeing the integrated risk management policies and activities. The policies were established to ensure a structured approach to the identification and mitigation of risks across the municipality to an acceptable level. The policies and systems are reviewed regularly to ensure that they keep pace with best practices and regulatory requirements.

The table below analyses financial instruments carried at fair value at the end of the reporting period, by level of fair-value hierarchy. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments, and been defined as follows:

Level 1: Fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2: Fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data, and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The municipality measure all their financial instruments at amortisised cost.

The accounting policy for the financial instrument were applied to the following items recognised in the Statement of Financial Position:

Financial Assets

2016	**Amortised cost and fair valie**	**Carrying Value**
Cash and cash equivalents	116 037 909	116 037 909
Receivables from exchange transactions	14 879 066	14 879 066
	130 916 975	**130 916 975**

2015		
Cash and cash equivalent	102 752 899	102 752 899

40. Financial instrument disclosure (continued)

Receivable from exchange transactions	3 462 674	3 462 674
	106 215 573	**106 215 573**

Financial Liabilities

2016	**Amortised Cost and fair value**	**Carrying Value**
Payables from exchange transactions	4	4
Finance lease obligation	341 154	341 154
	341 158	**341 158**

2015	**Amortised Cost and fair value**	**Carrying Value**
Payables from exchange transactions	103 217	103 217
Finance Lease Obligation	981 612	981 612
	1 084 829	**1 084 829**

Liquidity risk

Liquidity risk is the risk of the municipality not being able to meet its obligations as they fall due. The municipality's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable lossess or risking damage to the municipality's reputation.

The municipality ensures that it has sufficient cash on demand to meet expected operating expenses through the use of cash flow forecasts. Receivable (own billed) income is realised within 30 days after the due date, and payables are settled within 30 days of invoice. National and provincial grant funding is received in terms of the Division of Revenue Act (DoRA).

Credit risk

Credit risk is the risk of financial loss to the municipality if customers or counterparties to financial instruments fail to meet their contractual obligations, and rises principally from the municipality's receivables and casn and cash equivalents. The carrying amount of financial assets presents the maximum credit exposure.

Financial assets exposed to credit risk at year end were as follows:

Cash and cash equivalents	116 037 909	102 752 899
Receivables from exchange transactions	14 879 066	3 462 674

40. Financial instrument disclosure (continued)

Cash and cash equivalents

The municipality limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating, and within specific guidelines set in accordance with Council's approved investment policy. Consequently, the municipality does not consider there to be any significant exposure to credit risk.

Receivables form exchange transactions

Receivables are amounts owing by consumers, and are presented net of impairment losses. The municipality has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Entity's strategy for managing its risk includes encouraging residents to install water management devices that control water flow to households, as well as prepaid electricity meters. In certain instances, a deposit is required for new service connections, serving as a guarantee.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers and not concentrated in any particular sector or geographic area. The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. The average credit period on services rendered is 30 days from date of invoice.

Capital management

The primary objective of managing the municipality's capital is to see to it that there is sufficient cash available to support the municipality's funding requirements, including capital expenditure, to ensure that the municipality remains financially sound.

The primary objective of managing the municipality's capital is to see to it that there is sufficient cash available to support the municipality's funding requirements, including capital expenditure, to ensure that the municipality remains financially sound.

The capital structure of the municipality consists out of debt, including finance leases in note 13, cash and cash equivalent disclosed in note 12 and net assets as disclosed in the statement of Financial Position.
There have been no changes to what the municipality manages as capital, the strategy for capital mainentance or externally imposed capital requirements from the previous year.

41. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

42. Events after the reporting date

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year that require adjustments to the Annual Financial Statements.

43. Unauthorised expenditure

Opening balance	28 921 944	18 905 805
Overspending of budget	4 109 401	10 016 139
	33 031 345	**28 921 944**

44. Fruitless and wasteful expenditure

Opening balance	970 309	907 156
Add: Current year	51 211	63 153
	1 021 520	**970 309**

45. Irregular expenditure

Opening balance	111 443 781	104 865 726
Add: Irregular Expenditure - current year	12 013 374	6 578 054
	123 457 155	**111 443 780**

46. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	4 084	-
Current year	2 443 381	4 169 564
Amount paid - current year	(2 443 381)	(4 165 480)
	4 084	**4 084**

PAYE and UIF

Opening balance	-	-
Current year	11 726 798	9 414 869
Amount paid - current year	(11 726 798)	(9 414 869)
	-	**-**

Pension and Medical Aid Deductions

Opening balance	-	-
Current year	16 816 034	14 390 522
Amount paid - current year	(16 816 034)	(14 390 522)
	-	**-**

VAT

VAT receivable	6 603 286	1 357 688

VAT output payables and VAT input receivables are shown in note 9.

All VAT returns have been submitted by the due date throughout the year.

46. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
AP Scholts	1 478	-	1 478
E Kgatlhane	548	207	755
JD Sethi	5	40	45
JD Sethi	38	-	38
JD Sethi	70	-	70
MS Kanyane	78	97	175
BF Thomas	188	-	188
	2 405	**344**	**2 749**

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Sethi JD	51	-	51
Galodikwe KP	533	-	533
Edward GS	90	-	90
Kanyane MS	101	-	101
Lobelo K	616	-	616
Makgalemane E	40	-	40
Scholtz AP	987	-	987
	2 418	**-**	**2 418**

47. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Accounting Officer and includes a note to the annual financial statements.

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

48. Distribution losses

Units bought (kwh)	2 792 873	2 924 579
Units sold (kwh)	2 482 349	2 652 131
Units lost (kwh)	310 524	272 448
Cost per unit (R/kWh)	1.15	1.02
Distribution losses in Rand	356 780	278 950

Distribution losses relates to unaccounted electricity distributions. The cost mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. The foregoings costs, which represented 11.12% (2015: 9.3%) of the electricity purchases for the year, has been included in bulk purchases. The level of the distribution losses are not within the acceptable norms.

Notes to the Annual Financial Statements

49. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Immovable Property, plant and equipment

A voluntary change in accounting policy in regards to the life of water assets, has occurred that would affect balances of the prior periods.

The change in policy in regards to assets EUL have changed in respect of water meters for years presented as follows:

	2016	2015
Water meters	20 Years	10 years

The EUL was adjusted from 10 years to 20 years for initial recognition. This is due to the asset being able to serve longer time periods than originally estimated when the asset undergo normal maintenance and is free from vandalisation.

As these assets is replaced less frequently and with better technology the municipality believe this change, to reflect better the benefit of use water assets and their respective values.

The value of adjustment relating to prior periods are a decrease of depreciation and accumulative depreciation to the value of R184,716.

The change on accounting policy on water meters have been applied from date of first recognition. The effect of the change have applied on the closing accumulated depreciation of the 2014/15 financial year.